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Safeway Stores, Incorporated Annual Report 1970

HIGHLIGHTS

		1970 (53 Weeks)	1969
Operating Results[1]	Sales	$4,860,167	4,099,647
	Income before provision for income taxes	140,462	108,610
	Provision for income taxes	71,570	57,305
	Net income	68,892	51,305[3]
	Net income as a percent of sales	1.42%	1.25
Distribution of Earnings[1]	Dividends to common stockholders	$ 29,315	28,036
	Earnings retained in the business	39,577	26,557[4]
Per Share of Common Stock	Net income	$ 2.70	2.14[4]
	Depreciation	1.98	1.83
	Cash flow [2]	4.68	3.97
	Dividends paid	1.15	1.10
	Working capital (at end of year)	6.25	5.52
	Book value (at end of year)	19.49	17.94
	Price range New York Stock Exchange—Low-High	22⅛-34⅜	23½-30¼
Financial Position (at end of year)	Working capital [1]	$ 159,396	140,756
	Current assets per dollar of current liabilities	1.53	1.51
	Equity of common stockholders [1]	497,048	457,192
Other Statistics	Number of employees (at end of year)	96,760	91,352
	Number of stockholders of record (at end of year)	69,098	73,193
	Number of stores (at end of year)	2,303	2,262
	Average annual sales per store [1]	$ 2,094	1,782

[1] In thousands of dollars.

[2] Based on average shares outstanding during year.

[3] Excluding extraordinary gain in 1969 of $3,288,000, net of applicable taxes, equal to $0.13 per share.

[4] Including extraordinary gain in [3] above.

W. S. Mitchell Quentin Reynolds Robert A. Magowan

To Safeway Shareholders, Customers and Employees:

1970 was a banner year for Safeway, with both sales and income reaching significant new highs.

Aided somewhat by a 53-week fiscal year, dollar sales totaled $4.86 billion, more than 18% over the $4.10 billion (the previous record) in 1969. Net income came to $68.9 million. This was an increase of 34% over 1969 income from operations, when earnings were depressed by strikes in three major areas. However, it was also 15% above 1966, our previous most profitable year. Earnings per share came to $2.70, versus $2.01 from operations ($2.14 total, including extraordinary gain) a year ago, and $2.35 in 1966.

In November the annual dividend rate was increased from $1.10 to $1.30 per share.

Consumers are becoming increasingly value-conscious, and we have found strong approval of the conversion to discounting which has now been completed in approximately three-fourths of our stores. Discounting is by no means the only reason for the favorable growth pattern, however. It is but one of many actions taken over the past several years to respond flexibly to consumer needs and wants.

Decentralized operations and a concerted management development program have given us a strong team of Retail Division Managers (see pages 16 and 17) and good depth in experienced younger executives. Operating methods have also been under continuous scrutiny, as we have studied and developed ways to improve store layout and stocking plans, ordering procedures and materials handling. Adherence to a steady store building and remodeling program, even during periods of difficult financing, has enabled us to keep facilities modern and attractive. These and other activities have contributed to a momentum which should persist whatever the economic climate.

Effective January 3, 1971, W. S. Mitchell was elected President, succeeding Quentin Reynolds who assumed the duties of Chairman of the Board as well as Chief Executive Officer. Robert A. Magowan, formerly Chairman of the Board, continues on the top management team as Chairman of the Executive Committee.

In other management developments, 14 additional U. S. Retail Division Managers were elected Vice Presidents, in recognition of their competence and stature in the respective geographic areas they serve. All Retail Division Managers are now either vice presidents of the parent company or officers of a subsidiary company.

As we went to press we were saddened by the death of K. W. Hess, Vice President for Grocery Merchandising, who retired at year end after many years of valued service to the Company.

The expansion program outlined in last year's report is being implemented. Eight stores are now operating in the growing Houston market, and three in Toronto, with several more to be opened in both areas during 1971. Fourteen take-out fried chicken outlets (our joint enterprise with Holly Farms Poultry Industries, Inc.) are now operating in the Washington, D.C. area. Construction is underway on store sites in Sydney, Australia, which will be our second major base of operations in that country. Our large distribution center in the United Kingdom has been completed and is now serving our stores throughout England. To aid in the orderly expansion program planned for our overseas operations (an approximate doubling of stores by 1975) $20 million of 5 year 8¾% Notes were issued in December to European investors by Canada Safeway International Finance Corp. This is a newly formed subsidiary of Canada Safeway Limited, guarantor of the Notes.

One significant aspect of the recent slackening of economic growth has been an increasing consumer interest in the savings available on private label products. As dramatized in the picture on page 14 we offer our customers a wide assortment of Safeway brands to give them a full side-by-side choice between these and various popular national and regional brands. Our goal is to stock what shoppers want to buy.

"Consumerism" is currently in great popularity but in a positive sense it has always been a part of the supermarket scene, as evidenced by examples cited elsewhere in this report. Probably no other business is so completely involved in regular day-to-day contacts with consumers, and none is more acutely aware of the need to satisfy customer wants if it is to keep their patronage. In this climate it is highly unlikely that a responsible retailer would knowingly pursue courses of action which would be detrimental to consumers' interests.

Looking ahead, we believe that the main challenge in 1971 will come from persistent increases in wage and benefit costs, which show no signs of abating. This area of concern will be given a great deal of attention by the management team. On the positive side, conversion costs of our major discounting changeovers are now behind us, and we anticipate continued acceptance of our merchandising programs. The result should be further improvement in both sales and profits.

Quentin Reynolds
Chairman of the Board and Chief Executive Officer

W. S. Mitchell
President

Robert A. Magowan
Chairman of the Executive Committee

FINANCIAL REVIEW

Sales: Sales of Safeway and its consolidated subsidiaries rose to $4.86 billion in 1970, an increase of 18.6% over 1969. This was the eighth consecutive year of new highs in sales. 1970 was a 53-week year for Safeway, as it is necessary to include an extra week in our fiscal year every five or six years in order to keep our fiscal year end near calendar year end. On a comparable 52-week basis, 1970 sales were 16.4% higher than 1969.

All countries in which Safeway operates participated in the increased sales as indicated in Table A.

TABLE A Sales by Country

(In millions U.S. $)	1970 53 Weeks	1969 52 Weeks	Per cent Increase
United States	$4,131.7	$3,500.2	18.0%
Canada	610.9	511.6	19.4
Australia	39.4	31.4	25.5
United Kingdom	65.4	48.4	35.1
West Germany	12.7	8.0	58.7
Total Sales	$4,860.1	$4,099.6	18.6%

Income: Gross Profit of $994 million increased $144 million over last year but decreased as a percentage of sales from 20.8% to 20.5%.

Operating and Administrative expenses increased $111 million over last year but decreased as a percentage of sales from 18.0% to 17.5%.

1970 net income, after income taxes, was $68.9 million, an increase of 34.3% over net income before extraordinary item in 1969. As a percentage of sales, net income improved from 1.25% to 1.42%.

Net income per share, determined by dividing net income by the weighted average of common shares outstanding during the year, was $2.70 in 1970 compared to net income per share before extraordinary item of $2.01 in 1969.

Taxes: The provision for Federal, Canadian and other taxes on income for 1970 amounted to $71.5 million. The provision for U.S. Federal Income Taxes was reduced by an investment credit of $425,000 or 2¢ per share in 1970 and $1,800,000 or 7¢ per share in 1969 for qualifying equipment placed in service in those years. The provision for U.S. Federal Income Taxes included a surtax of 2.5% or 5¢ per share in 1970 and a surtax of 10% or 15¢ per share in 1969.

Federal income tax returns for the years 1963 through 1970 for U.S. and Canada are currently under or subject to review by taxing jurisdictions. The Company believes that any possible additional assessments for these years in excess of that provided for will not result in a material adverse effect on earnings or financial position.

Deferred Income Taxes: In calculating the provision for U.S. and Canadian Income Taxes for financial accounting purposes, Safeway depreciates all properties on a straight-line basis but depreciates certain properties on the accelerated basis for tax purposes. Thus, we charge net income with more tax than is currently payable and defer payment of such additional tax to future years. Such tax deferments over the years constitute the principal source of deferred income taxes.

Dividends: During 1970, Safeway paid three quarterly dividends of 27½ cents per share, and in the fourth quarter paid a dividend of 32½ cents per share for a total of $1.15 per share as compared to $1.10 per share in 1969.

Stores: Safeway opened 131 stores in 1970 with 2.7 million square feet and closed 90 older stores with .9 million square feet. Thus, store space was increased by 1.8 million square feet. At the end of the year we operated 2,303 stores with 41.8 million square feet. Shown in Table B is a geographical distribution of new stores opened in the past five years and stores in operation at the end of 1970.

During 1971, we plan to open 150 stores and as in the past, to remodel a great many of our existing units.

TABLE B Stores by Country

	Open as of Jan. 2, 1971	Year Opened 1970	1969	1968	1967	1966
United States	1,963	98	94	105	116	138
Canada	263	19	15	11	14	20
Australia	27	5	3	3	2	5
United Kingdom	40	7	4	3	1	2
West Germany	10	2	2	—	1	1
Total	2,303	131	118	122	134	166

Other Facilities: In addition to our retail stores, we operate distribution centers, consisting of a variety of warehouses, and free-standing warehouses and plants. In 1970 we completed seven new warehouses and expanded seven existing warehouses in the United States and Canada. We also completed seven new plants and expanded five plants in the United States and Canada. In the United

Kingdom, a new distribution center consisting of four warehouses and a truck facility was completed in January of 1971.

Depreciation and Amortization: Depreciation charged against income was $50,360,961 in 1970 and $46,637,838 in 1969 computed on the straight-line method.

In 1970 the Company commenced amortizing the excess of the cost of investment in subsidiaries over the net asset values at date of acquisition. The charge against income in 1970 was $217,841.

Long-Term Notes Payable: Long-term notes payable consist principally of $27 million of 4.65% notes of the parent company due on November 1, 1979, and $20 million of 8¾% notes of a subsidiary due on December 15, 1975.

Payments on the 4.65% notes commenced on May 1, 1970, and are to be made semi-annually at $1.5 million per payment. There are certain prepayment options at varying premium rates to maturity. Under agreements covering these notes, $184,391,043 of the retained earnings at January 2, 1971, are free of restrictions for dividend payments and acquisitions of common stock. There are also certain other restrictions including one on the creation of additional funded debt. $3 million of the $27 million is included in current liabilities.

The $20 million of 8¾% notes were issued in December 1970 by Canada Safeway International Finance Corp., a subsidiary of Canada Safeway Limited, a wholly-owned subsidiary of Safeway Stores, Incorporated, and are guaranteed by Canada Safeway Limited. The funds received are to be used to make loans to overseas subsidiaries of Canada Safeway Limited.

Capital Stock: Capital Stock of the Company consists of 4% cumulative preferred, 220,372 shares authorized and unissued and common stock, par value $1.66⅔ per share, authorized 27,000,000 shares, outstanding 25,498,511 shares (after deducting 45,981 shares in treasury).

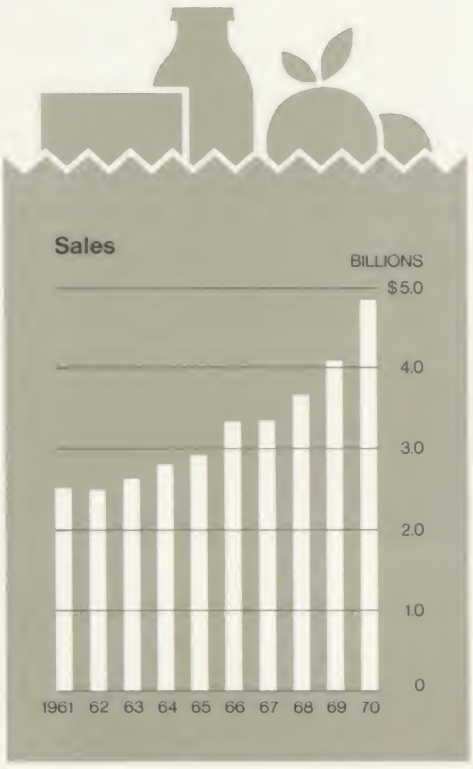
Our return on average beginning and ending stockholders' equity in 1970 was 14.44% compared to 12.30% in 1969.

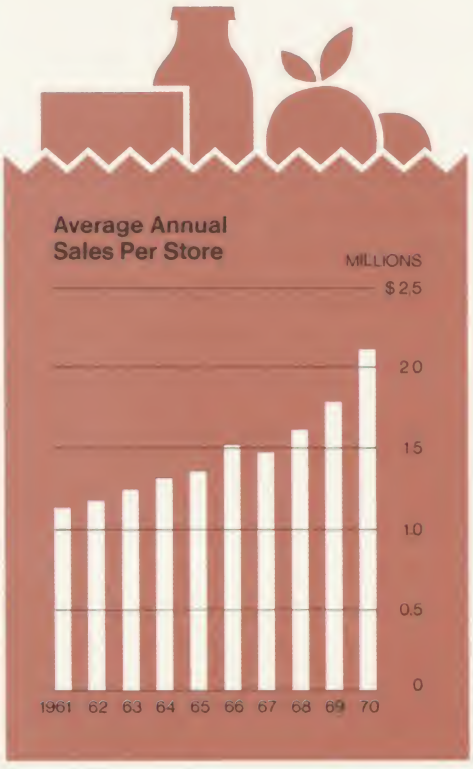
Stock Options: At January 2, 1971, there were 617,300 shares of common stock reserved for qualified and restricted stock options. Shares under options were as follows:

	Shares	Option Price Ranges
Balance at beginning of year	326,950	$22.00-30.59
Granted	143,800	24.88-28.69
Exercised	10,140	22.00-30.59
Expired	6,060	22.00-30.59
Balance at end of year	454,550	22.00-30.59

At the beginning of the year, 300,490 unoptioned shares were available for granting and 162,750 were available at the end of the year.

The increase in Additional Paid-in Capital during 1970 of $222,437 consists of the excess of proceeds over par value of shares issued under options exercised during the year.





Employee Retirement and Profit-Sharing Plans: The Company and its Canadian subsidiaries have contributory, trusteed retirement plans which may be amended or terminated at any time, for eligible employees not covered by other plans to which the Company contributes. The Company's practice is to contribute the full normal cost and payment toward amortization of any unfunded past service liability. The assets of the trust funds are sufficient to fund vested benefits. Charges to income for current year contributions amounted to $3,190,752.

Charges to income for Profit-Sharing Plan (U.S. only) contributions for the current year amounted to $4,987,549.

Working Capital: As shown in the Source and Use of Funds statement in the Financial Highlights section of this report, Working Capital increased $18.64 million. There was an increase of $44.23 million in current assets, the largest item of increase being cash, up $26.20 million. The Current Liabilities increased $25.59 million with largest increase in payables and accruals of $19.53 million.

Current assets were 1.53 times current liabilities at year end compared to 1.51 at the end of 1969.

While inventories increased by $13 million, average beginning and ending inventories at cost turned over 14.1 times, in sales, in 1970 compared to 13.1 times in 1969.

Basis of Consolidation: The financial statements include all subsidiaries of the Company on a fully consolidated basis at appropriate rates of exchange, except one minor overseas foreign subsidiary included in miscellaneous investments at equity.

Foreign Operations: Our foreign operations in Canada and overseas continued to expand. Sales and pre-tax income were higher in all areas. However, net income of the overseas subsidiaries declined because current year tax provisions were not decreased by tax loss carry forwards as in prior years.

Our Canadian subsidiary had an increase of 19.4% in sales and a 40.8% increase in net income. The three overseas subsidiaries as a group had a 33.8% increase in sales, a 33.0% increase in pre-tax income, but a 25.3% decrease in net income.

Table C shows certain Balance Sheet and Income Statement information for our Canadian subsidiary and its overseas subsidiaries in Australia, the United Kingdom and West Germany. The information shown has been translated to U.S. dollars.

Commitments: The Company has commitments under contracts for the purchase of land and construction of buildings. The portions of the contracts not completed are not reflected in the financial statements. The amount of these commitments is $31,000,000.

Safeway operates its business primarily from leased facilities. Leases are in effect on 2,698 properties. Of these leases, 1,547 can be cancelled by the Company by offer to purchase the properties at original cost less amortization. Purchase would be necessary upon acceptance of the offer by the landlords.

Minimum rental on leases in effect at the year-end was approximately as follows for the years or periods indicated:

1971	$85,816,000	1976-1980	$396,261,000
1972	85,090,000	1981-1985	269,707,000
1973	84,471,000	1986-1990	108,194,000
1974	83,858,000	After 1990	72,347,000
1975	83,124,000		

Contingent Liabilities: Various claims and lawsuits incident to operations are pending against the Company. To the extent that such contingent liabilities are uninsured, General Counsel for the Company is of the opinion that the final outcome of such claims and lawsuits will not have a significant adverse effect on the financial statements at January 2, 1971.

TABLE C

Balance Sheet Data—1970	Canadian Operations[1]	Overseas Operations	Consolidated
Current Assets	$ 83,784,556	$ 13,514,562	$ 97,299,118
Investment in Overseas Subs.	27,046,695	—	—
Other Assets	1,384,756	3,977,466	5,362,222
Property (Net)	69,933,787	21,758,002	91,691,789
Total	$182,149,794	$ 39,250,030	$194,353,129
Current Liabilities	$ 34,752,864	$ 11,280,450	$ 46,033,314
Long-Term Liabilities	22,061,286	875,809	22,937,095
Loans by Parent	—	8,019,004[1]	—
Preferred Stock	5,254,000	—	5,254,000
Equity of Parent	120,081,644	19,027,691	120,081,644
Minority Interest	—	47,076	47,076
Total	$182,149,794	$ 39,250,030	$194,353,129
Income Statement—1970			
Sales	$610,915,449	$117,516,158	$728,431,607
Pre-Tax Income	26,168,476	2,851,637	29,020,113
Provision for Income Taxes	12,343,096	1,471,708	13,814,804
Net Income	$ 13,825,380	$ 1,379,929	$ 15,205,309

(1) Includes Canada Safeway International Finance Corp.

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

For the 53 Weeks Ended January 2, 1971 (With Comparative Figures for the 52 Weeks Ended December 27, 1969)

	1970	1969
Sales	$4,860,166,969	$4,099,646,656
Cost of Sales	3,865,735,689	3,249,166,866
Gross profit	994,431,280	850,479,790
Operating and Administrative Expenses	848,281,320	737,583,565
Operating profit	146,149,960	112,896,225
Other Deductions		
Interest expense, net	3,935,183	1,900,809
Earnings of unconsolidated foreign subsidiary	(21,041)	(15,263)
Minority interests in earnings of overseas subsidiary	3,226	101,814
Dividends on preferred stock of Canadian subsidiary	223,697	228,357
Amortization of excess cost of investments in subsidiaries	217,841	—
Other charges—net	1,329,006	2,070,715
	5,687,912	4,286,432
Income before provision for income taxes	140,462,048	108,609,793
Provision for Federal, Canadian and other Income Taxes	71,569,804	57,304,534
Income before extraordinary item (per share: 1970, $2.70; 1969, $2.01)	68,892,244	51,305,259
Gain on Sale of Securities—net of applicable income taxes (per share: 1969, $0.13)	—	3,287,707
Net Income (per share: 1970, $2.70; 1969, $2.14)	68,892,244	54,592,966
Retained Earnings at Beginning of Period	368,511,884	341,928,965
	437,404,128	396,521,931
Deduct:		
Cash dividends on common stock (per share: 1970, $1.15; 1969, $1.10)	29,314,629	28,036,356
Additions resulting from stock acquisitions	(38,651)	(26,309)
	29,275,978	28,010,047
Retained Earnings at End of Period	$408,128,150	$368,511,884

See financial information included in "Financial Review"

ACCOUNTANTS' REPORT

To the Board of Directors and Shareholders of Safeway Stores, Incorporated:

We have examined the consolidated balance sheet of Safeway Stores, Incorporated and subsidiaries as of January 2, 1971 and the related statement of income and retained earnings and the statement of source and use of funds for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Safeway Stores, Incorporated and subsidiaries at January 2, 1971 and the results of their operations and source and use of funds for the fifty-three weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

2150 Valdez Street
Oakland, California 94612
March 1, 1971

Peat, Marwick, Mitchell & Co.

SAFEWAY STORES, INCORPORATED AND SUBSIDIARIES

Assets

	January 2, 1971	December 27, 1969
Current Assets		
Cash	$ 65,041,756	$ 38,840,224
Receivables	16,510,630	23,322,268
Merchandise inventories—at lower of cost or market (first-in, first-out or retail method)	350,249,243	337,153,455
Prepaid expenses	13,181,245	12,623,051
Properties for development and sale within one year	17,940,786	6,757,539
Total Current Assets	462,923,660	418,696,537
Other Assets		
Notes receivable, licenses, and miscellaneous investments	9,816,028	8,641,273
Unamortized note issue expense	662,297	
Excess of cost of investment in subsidiaries over net assets at date of acquisition, net of amortization	4,138,374	4,356,215
	14,616,699	12,997,488
Property, at Cost		
Buildings	48,303,882	38,752,532
Leasehold improvements	89,253,944	78,717,332
Fixtures and equipment	526,811,505	483,687,340
	664,369,331	601,157,204
Less accumulated depreciation	314,457,564	288,786,348
	349,911,767	312,370,856
Land	48,252,557	44,649,090
	398,164,324	357,019,946
TOTAL	$875,704,683	$788,713,971

See financial information included in "Financial Review"

CONSOLIDATED BALANCE SHEET

As of January 2, 1971 (With Comparative Figures as of December 27, 1969)

Liabilities and Stockholders' Equity	January 2, 1971	December 27, 1969
Current Liabilities		
Notes payable to banks, short-term	$ 11,892,828	$ 8,785,360
Current maturities of long-term notes	3,911,104	3,360,000
Payables and accruals	265,800,332	246,267,575
Federal, Canadian and other income taxes	21,923,290	19,527,862
Total Current Liabilities	303,527,554	277,940,797
Long-Term Liabilities and Reserves		
Notes payable	46,378,714	27,179,785
Deferred income taxes	19,542,514	17,593,605
Minority interest in capital stock and retained earnings of subsidiaries:		
Preferred stock of Canadian subsidiary	5,254,000	5,592,600
Overseas subsidiary	47,076	43,850
Reserve for self-insurance	3,907,206	3,171,296
	75,129,510	53,581,136
Stockholders' Equity		
Common stock	42,497,518	42,480,640
Additional paid-in capital	46,421,951	46,199,514
Retained earnings	408,128,150	368,511,884
	497,047,619	457,192,038
TOTAL	$875,704,683	$788,713,971

SAFEWAY – Where the Consumer Counts

The pictures on the next several pages show Safeway at work on its primary function of pleasing the consumer. Most of these are from *The Safeway Story,* a film produced last year for showing to new employees and other groups.

All that you see here – all of this activity – is ultimately geared to the one overriding objective of the Company: to serve the wants and needs of consumers.

The Safeway story is one of people serving people in convenient and comfortable surroundings. It is a story of ample, well-lighted parking lots, and attractive store entrances with doors you don't even push.

It is large, easy-rolling shopping carts moving through clean, wide aisles lined with a great variety of foods in many forms – fresh, dry, canned or frozen, as you prefer.

It is abundant and colorful fresh fruits and vegetables, and a profusion of fresh red meats. It is all kinds of breads and pastries, and row on row of milk and other dairy products – in display cases refrigerated to protect the quality, and open for your convenience in making a choice.

Backstage there are buyers in all major growing and producing areas. There are plants, warehouses, and trucks delivering merchandise. There are offices where realty specialists select sites for new stores, engineers and architects help design them, managers plan operations, and computers keep track of them.

Above all, the Safeway story is consumers. Everything we do is shaped around their needs and wishes. They are the key people – the ones whose daily decisions determine our destiny.

Few would question that food shoppers are better served today than ever before – in fact better than anyone dreamed possible a generation ago. The extent of change from the cracker-barrel store wasn't foreseen, but it didn't "just happen," either. It resulted from a vig-

At top is a recent photo of M. B. Skaggs, Safeway's founder, appropriately surrounded by people being served. He believed that a volume business meeting the needs of consumers and sharing its benefits, would grow. So it has, and the goals are still the same. Open dates on packages showing freshness, for example. As you can see from the ad at right, this is not a new idea at Safeway.

orous competition over the years for the consumer's favor.

Food shoppers are quick to compare, and when one is displeased she will switch to the competition without a moment's hesitation. There is almost always another store nearby — usually a very good one just across the street or a little way down the block. The end result: food retailers who please consumers survive, and those who don't, do not.

At the heart of Safeway's success in this competitive environment is a disarmingly simple central idea: share the benefits of the enterprise with the consumer and be concerned for her welfare.

Safeway was founded on that idea. Here is how M. B. Skaggs, the Company's founder, expressed it recently:

"In 1915 I had never seen a cash-and-carry grocery store, but the plan made sense. My progress would be measured by the degree to which I could give better service, cut out waste, sell for cash, meet my customers' needs, and give them the benefit of my savings.

"I think I realized even then, that if I would be content with a very small margin of profit, I could build a correspondingly larger business. So that's the idea I built on when I became sole owner of my first store in American Falls, Idaho, in August of 1915."

The business did indeed become "correspondingly larger." Eleven years later, in 1926, it consisted of some 250 stores throughout several Western states. In that year, Mr. Skaggs merged his stores with a 320-store chain in Southern California to form Safeway Stores, Incorporated. The new Company's motto was "Distribution Without Waste."

After 14 more years, *Fortune Magazine,* in a feature article of its October 1940 issue, was saying:

"Safeway Stores, Incorporated, is a $386,000,000 food chain with a simple formula for success: it behaves as if it

were operated for the benefit of its producers, employees, and consumers."

This unusual behavior, according to the magazine writer of that time, included:

—Buying produce based on offers received, without haggling.

—Selling some fresh fruit and vegetable items by the pound, instead of by the "each" or "dozen," to assure the housewife of full value for her money.

—Warehousing fresh produce for efficient, protective, and clean handling.

—Warehousing fresh beef and lamb for efficiency and quality control.

—Opposing store-door delivery of groceries in favor of warehouse receiving as more economic.

—Refunding the full purchase price to any dissatisfied customer without question.

(Some other "unusual" things Safeway was doing in the forties: calling prices at the checkstand so shoppers would know they were being correctly charged; hauling milk from farm to plant in sanitary steel tank trucks instead of milk cans; refrigerating both milk and eggs all the way from farm to point of purchase in the store; selling only U.S. Government graded beef, with the grademark showing on each consumer cut wherever possible.)

This was feature material for *Fortune Magazine* three decades ago. The writer seemed far more impressed by Safeway's philosophy than by any material success. In fact he made a point of saying that the Company had not developed any marked operating superiority over other chain stores.

"What makes Safeway significant," he wrote, "is a technique founded upon an economic philosophy, an attitude toward the business of distributing food. This attitude is back of a large measure of the company's current modest success, and it will be squarely at the bottom of

From attractive entrance (upper left) to the thoughtful young store employee in the lower right photo, you see here the combination that is Safeway: people serving people in pleasant, convenient surroundings. Second picture at top shows a customer taking a plastic produce bag from the roll, an idea that was pioneered by Safeway.

whatever it can show in the future...

"This is a story not only of fact but of principle; not only of accomplishment but the basis for future accomplishment. Ten years from now the facts may be vastly more exciting than they are now."

Ten years from then, (in 1950) Safeway's sales had just passed one billion dollars. Today, some thirty years after that article was written, they are nearly five billion dollars.

The original idea has served the company well, and continues to do so. It is a heritage that should keep Safeway among the fittest for survival and growth in the present and increasing environment of general concern for the consumer's welfare.

We welcome this general concern, about matters that have been our particular concern for many years.

The consumer wants to know she is protected from health hazards. She wants to have confidence and trust that her food store is dealing fairly with her. She wants information to help her make a free choice of the values she prefers, and to help her serve better meals to her family.

We have seen Safeway's history of providing these things. Today the Company is still in the forefront of voluntary, positive activity looking to protection, free choice, and full information for the consumer.

One example is "open dating" of products to assure freshness. This was suddenly very much in the limelight last year; yet Safeway featured "open dating" more than thirty years ago (see photo on page 9 of "Dated Mayonnaise" advertised by Safeway in 1935).

In September last year our Washington, D.C. Division launched an ad campaign advising customers where to find the dates on Safeway Brand products, and what they meant. Less than a month later our Denver Division followed suit,

So also was the idea of pricing some produce by the pound, and providing scales to weigh it, as the customer in the photo next right is doing. On these pages, too, you see meats and all manner of products just a reach away on the shelves, and customers singly and in pairs making up their minds. Their decisions shape our destiny.

and others have taken the same action.

Another current example is "dual pricing" which is showing the price per pound or per pint (or other appropriate measure) on the shelf tag, in addition to the "each" price of the item. Safeway was the first major retailer to undertake a full-scale, on-the-job study of this, in test stores in Washington, D.C., starting in September 1969. Based on the findings, that Division adopted dual pricing last November in all stores throughout Washington, D.C. and surrounding areas.

Again, "dual pricing" was not an entirely new concept to us, for as we have seen, Safeway was pricing produce by the pound way back in the forties. Another form of "dual pricing" initiated by the industry years ago, was marking the price per pound on self-service meats, in addition to the total price on each package. It was done then for the same reason as now—to inform the consumer so she could truly compare values.

These recent actions by Safeway in the consumer's interest were given wide news coverage by the national press and other media. Much favorable comment was received from customers, consumer groups and government officials.

Other current examples of continuing voluntary efforts on behalf of the consumer can be cited. One is discount pricing, which is successful because it meets the consumer's desires in regard to values and prices. Another is the recent introduction of our "PAR" brand detergent with no phosphates, no NTA, and no enzymes. Still another is activity by Safeway and many companies in the cause of cleaning up our environment: anti-litter campaigns, compaction and baling of wastes for recycling, etc.

Much remains to be done, and many problems to be solved in the matter of pollution and the physical environment. But we among other businesses are working at it.

One last example: the long-standing

success of Safeway Brand products (see montage of labels on page 14). Quality is the watchword on these, and immense effort goes into testing and laboratory-checking them to maintain stringent standards. Each of our "S" Brands (Finest Safeway Quality) is guaranteed at least equal to the leading advertised brand of a given product, but is sold at a saving (except a few products that have prices set by law). The advertised national brands are also stocked, so the customer has her choice.

When she chooses the "S" Brand there is a benefit in lower supply costs, and we share it with the consumer in the form of a lower price. That was the whole idea in the beginning—a prime example of what Safeway's operating philosophy is all about.

Safeway—where the consumer counts. But why? Why does a company in business to make a profit devote extra effort to serving the consumer beyond what seems immediately required?

M. B. Skaggs said it long ago, in some institutional advertising for his 250 Skaggs stores back in the 1920's before the merger which formed Safeway:

"Thus again we see the element of self-interest, aside from any higher motives . . .

"Furthermore, it is an incontrovertible law of economics that only those enterprises which render the greatest service can hope to survive, and the old must give way to the new in exact proportion to the greater service which the new can render.

"Therefore, to continue to exist the new must constantly strive to excel, else it, too, will fall by the wayside. For in the last analysis the consumer is a merciless judge, and will be served."

So she will. And as long as Safeway's heritage of serving her continues to be our central purpose, both she and we will be the beneficiaries.

Most of these pictures are of backstage activities in support of the stores. You see at top left a produce buyer, then a milk truck, a real estate meeting, computers, a grocery warehouse, grocery trucks, and a quality check on milk. At lower right is community involvement. At lower left is the end result of all this activity—a successful store (this is a new one in Tulsa, Oklahoma).

tortilla chips
PLASTIC WRAP
instant rice
Velkay
Breaklast Gems
Royal Satin
SU-PURB
Bel-air
FRENCH FRIED POTATOES
HARVEST BLOSSOM
ENRICHED FLOUR
Covered Wagon
PANCAKE MIX
180 PACK NAPKINS
Party Pride
potato chips
GARBAGE BAGS
SAFEWAY
CORN FLAKES
DRESSING
Dairy Glen Butter
GOLDEN HEART
VANILLA WAFERS
Jell-well
Lucerne
PAR
FABRIC SOFTENER
PARADE
UNSALTED CRACKERS
white magic
LOW SUDS
Montrose
BUTTER
TRASH CAN LINERS
Pooch
NUGGETS
CANE SUGAR
ROCK SALT
Evergreen
Kitchen Kraft
Tortillas
MINCE PIE
COCONUT CREAM PIE
Shady Lane
Dandy Lane
Ovenjoy
Velkay
MARGARINE
Sunnybank
Cragmont
Grape Drink
Slenderway
Berkshire
SALT
Royal Satin
Brocade
BATHROOM TISSUE
Canterbury
SPONGE
Party Pride
ICE CREAM CUPS
HIGHWAY
PORK and BEANS
EDWARDS
RAISINS
Tempest
JACK MACKEREL
Cragmont
CAT FOOD
Lucerne
NONFAT DRY MILK
Lucerne
TEA GARDEN
CONCORD GRAPE JUICE
Lucerne
FLUFFY WHIP
buttermilk
Lucerne
nonfat milk
COLA
LALANI
PINEAPPLE-GRAPEFRUIT
BANANA WAFERS
Lucerne
CAULIFLOWER
SUGAR
Belair
BLUEBERRIES
SANDWICH BAGS
Ovenjoy
PIEDMONT SALAD DRESSING
SU-PURB
POWER PACKED
Lucerne
MARGARINE
Lucerne
SHRIMP
Lucerne
Tortillas
Lucerne
MILK
Lucerne
CHOCOLATE
Lucerne
MILK

Remodeling

New stores get the headlines, but remodeling is also important to our building and renewal program.

In 1970 more than 289 Safeway stores in the U.S. and Canada were remodeled, ranging from "face lifting" (fresh decor, new signs, fixtures or equipment), to major expansion and redesign, both interior and exterior (see photos).

When a store becomes inadequate, we have several alternatives: (1) to find a new site and build a new store on it, or (2) to build a new store on the existing site and remove the old one, or (3) to undertake a major remodeling.

New store construction is essential to growth, and we plan to continue our strong building program (see Financial Review). But the alternative—extensive *remodeling*—is frequently the best solution under conditions of high construction costs, especially in areas where good sites are scarce.

Often our existing store is already on the best retail site in the neighborhood or town.

In the last three years we have completed extensive remodeling of 116 stores in the U.S. and Canada. Of these, 72 were completed in 1968-69, and by late 1970 they were averaging 25% to 30% over sales prior to remodel.

All stores are reviewed annually to determine if remodeling is warranted. Age, size, present condition, sales and potential are all considered.

Some extensive remodelings increase the size of the building and some do not. Most expand the sales room area, and all increase product displays and variety through better layout and more compact modern fixtures. The store becomes more efficient for both customers and employees.

With few exceptions remodeling is accomplished without closing; customers accept inconvenience to gain a more beautiful and convenient store.

The end result is a more modern "plant" and more pleased customers shopping at Safeway.

At top is our newly-remodeled store in Tumwater, Washington, expanded from 18,800 to 25,600 square feet. Immediately above you see how it looked before remodeling. Below is our new store in Lafayette, California, shown just after opening and before the old store was leveled to provide a large parking lot in front. The new store, well back from the street, is 30% larger than the old one.

Labels of Safeway Brand products fill the page at left, a colorful indication of their scope and importance to the Company. Lorenzo N. Hoopes, Vice President for Supply Operations, checks a detail in the manual concerning them. These Safeway Brands are on our shelves along with well-known advertised brands, giving customers a wide selection of values from which to make a choice.

Divisional Management

J. W. R. Pratt
Australia Division

Division Manager since 1967; Managing Director of Australian Safeway Limited (27 stores). Owned three-store supermarket chain which Safeway acquired in 1963. Management Development Program, Retail Operations Manager 1963-67. Past president Rotary, Council of Spastic Society of Victoria.

Peter P. Martin
Butte Division

Began as Meat Cutter So. California 1949; Department Manager same year. Store Manager, Employee Relations Manager, District Manager 1959, Retail Operations Manager Sacramento 1965. Mgmt. Development and Advanced Mgmt. Programs 1965; Division Manager Butte (38 stores) 1967, Vice President 1970.

Horace A. Justice
Dallas Division

Division Manager Dallas (176 stores) since 1966, Little Rock 1962-66. Elected Vice President 1970. Advanced from food clerk up retail line in Dallas Division to Retail Operations Manager 1959. Division continues strong expansion, moved into Houston, Texas, with seven new stores in 1970.

Robert L. Campbell
Denver Division

Vice President and Division Manager since 1959. Forty-year Safeway career Denver Division, operating 147 stores in six states. Harvard Advanced Management Program 1954. Director First National Bank of Denver; Chairman Food Task Group, Office of Emergency Planning; Trustee Mile High United Way.

Robert L. Jaynes
El Paso Division

Native of Iowa, began Safeway career as food clerk in Los Angeles in 1939. Became Store Manager 1943, District Manager 1949, Retail Operations Manager 1962, and Division Manager El Paso (51 stores) 1963. Elected Vice President 1970. Active in 4H, Urban Coalition, Junior Achievement.

John S. Kimball
Europe Division

Division Manager 1968; Managing Director, Safeway Food Stores Limited; 40 stores in United Kingdom, 10 in West Germany. Joined Safeway as attorney in 1958. Was Property Manager, London, at start-up overseas in 1962; Germany Zone Manager 1964 to 1967. Management Development Program 1967.

Jack L. Anderson
Kansas City Division

Division Manager Kansas City (102 stores) 1966, Vice President 1970. From clerk through retail in Arkansas, Retail Operations Manager Oklahoma City 1954, Kansas City 1958. Past President Downtown Kiwanis, Board member K. C. Chamber of Commerce. Distinguished service national FFA, 1967.

James A. Rowland
Little Rock Division

Up retail line in Oklahoma City Division to Retail Operations Manager in Amarillo 1956-65, then So. California. Little Rock Division Manager (72 stores) 1966, Vice President 1970. Director Arkansas Chamber of Commerce. Stores extend into Missouri, Louisiana, Mississippi, East Texas.

R. Earl Templeman
Oklahoma City Division

Third among Division Managers in length of service. At helm in Oklahoma City Division (73 stores) since 1957; Zone Manager there 1953. Began as food clerk 1937, became Store Manager 1941, Personnel Manager Tulsa Zone 1947, District Manager 1951 to 1953. Elected Vice President 1970.

Paul K. Hendrix
Omaha Division

Appointed Division Manager Omaha (82 stores) in 1962, Vice President 1970. Began as meat cutter in Southern Colorado, was one of three Store Managers selected for Company's first executive development session at corporate headquarters in 1952. Portland Retail Operations Manager 1959 to 1962.

These are the men who manage Safeway's Retail Divisions. In May 1970 the Board of Directors elected fourteen of them Vice Presidents, in addition to the four who already held that title.

The Board's action was recognition of the vital role of Divisional Management in our Company, as well as a tribute to outstanding achievement by the incumbent executives.

A Safeway Retail Division extends over a wide geographical area (see map on back cover). Each Division is very nearly self-contained, consisting of stores, warehouses, and trucking operations as well as supporting staff departments. Employees range from about 1,000 in the smallest Division to 10,000 in the largest.

Within general corporate policy guidelines, a Retail Division Manager pretty much runs his own show. Central advice and assistance are available, but full responsibility rests with the Division on most matters, including items stocked, merchandising plans, store operating procedures, etc.

The Division Manager has the authority and flexibility to take action "on the spot" when necessary, and in general to adapt his operations to the consumer's needs and life style in each community. These of course are quite different between, say Fairbanks, Alaska and Houston, Texas; or between San Francisco and Broken Bow, Nebraska. A Safeway Division Manager is free to challenge old ways and to test his own ideas in practice. At the same time he is fully accountable for his Division's results and contributions to corporate objectives.

These are big jobs requiring big men to fill them.

We also have good depth in experienced and energetic young executives. There are 28 Retail Operations Managers in the Divisions who are second in command of line operations. We have added to their number and strengthened their potential through intensified efforts begun a decade ago in our Management Development and Advanced Management programs.

It would appear that Safeway will continue to have vigorous and effective Divisional Management for years to come.

Safeway's Retail Divisions, whose Managers are pictured here, operated 2303 stores as of year-end, in the U.S., Canada, United Kingdom, W. Germany, and Australia (see map back cover). Regional Managers for U.S. are Vice Presidents Henry B. Clay and Gus H. Parker, and for Canada, Walter J. Kraft. Regional Managers and Overseas Division Managers report to the President.

Floyd H. Gifford
Salt Lake City Division

Began as clerk in Denver 1946, became Store Manager 1952. Attended first session Management Development Program 1960, District Manager Spokane same year. Retail Operations Manager Portland 1962, San Francisco 1966. Division Manager Salt Lake City (60 stores) 1968, Vice President 1970.

David Laub
Toronto Division

Spearheading Safeway entry into Toronto area (3 stores) begun in 1969. Vice President Canada Safeway Limited in 1970. Began as food clerk in Edmonton; became Store Manager then District Manager in Calgary and Butte, Regina Zone Manager in 1964. United Kingdom Division Manager 1965 to 1968.

Henry J. Frank
Phoenix Division

Early career in Butte and Salt Lake City Divisions, then to Portland as Retail Operations Manager. Later served in Denver Division, went to Phoenix (39 stores) as Division Manager in 1962; Vice President 1970. Past President Maricopa Mental Health Assn., Executive Committee Jr. Achievement.

Louis A. Bianco
San Francisco Division

Division Manager San Francisco (216 stores) since 1966, Vice President 1970. Began as accountant in San Francisco 1931, became Portland Office Manager 1939, Controller 1943. San Francisco Staff 1950; later District Manager, Asst. Division Manager. Division included six stores in Hawaii at year end; one opened since.

John W. Warthan
Tulsa Division

Division Manager Tulsa (50 stores) 1969, Vice President 1970. Started in Washington, D.C. stores 1936, Store Manager 1939, District Manager 1952. Attended Management Development Program 1961, became Dallas Retail Operations Manager 1962. Director Safety Council, Better Bus. Bureau, YMCA.

Fred E. MacRae
Portland Division

Division Manager Portland (105 stores) 1964, Vice President 1970. Food clerk to District Manager (1954) in Seattle Division, became Retail Operations Manager Portland 1958. Managed backstage departments (buying, advertising) 1950-53. Portland Chamber of Commerce, VFW (Past Commander).

Clyde A. Bradburn
Seattle Division

Retail Division Manager since 1956, dean among all in U.S., Vice President 1967. At helm in Seattle (113 stores including 4 in Alaska) since 1964, Dallas 1958-63, Butte 1956-57. Began 40-year career as meat market supervisor; Zone Manager Spokane 1950. Trustee Seattle Chamber of Commerce.

Walter J. Kraft
Vancouver Division

Regional Manager for Canadian Divisions. Board Chairman, Canada Safeway Limited. Dean of Safeway Retail Division Managers, first in Calgary 1941, then Winnipeg 1946; Vancouver (90 stores) since 1948. Food clerk 1926 Bakersfield, Calif., then Store Manager. To Calgary 1929, Zone Manager there 1933.

Anthony G. Anselmo
Prairie Division

Prairie Division Manager (120 stores) 1965, headquartered in Calgary. Director and VP, Canada Safeway Limited. Clerk in 1945, Store Manager 1948, Executive Development Program 1954. District Mgr., then Retail Operations Manager Vancouver 1958. Zone Manager Regina 1963, Vancouver 1964.

Earl W. Smith
So. California Division

Division Manager So. California (248 stores) 1965, Vice President 1967. Began 1939 in retail meats, training consultant 1949 companywide, up line to Division Manager San Diego 1963. President Vernon C. of C., Gen'l Chmn. Scout-O-Rama Los Angeles 1970, Exec. Committee Food Employers Council.

Basil M. Winstead
Washington, D.C. Division

Division Manager Washington D.C. (248 stores) 1965, Vice President 1967. United Kingdom Div. Mgr. 1962-1965. Food clerk to Retail Operations Manager in Washington D.C., only U.S. Division east of Mississippi. Exec. Development Program 1952. Exec. Board Boy Scouts, Director Board of Trade.

Frank J. Glasgow
Sacramento Division

Division Manager Sacramento (87 stores) 1969, Vice President 1970. Company headquarters 1966-69. Division Manager Kansas City 1963-66, Wichita 1961-63. Started as food clerk Los Angeles, managed backstage departments there including personnel, warehousing, merchandising; also District Manager.

Loyal M. Pringle
Spokane Division

Forty-year career, from clerk through all retail management jobs plus Buyer, Warehouse Manager. Harvard Advanced Management Program 1952. Division Manager in Little Rock 1957, in Tulsa 1959, in New York 1959. Spokane Division Manager (41 stores) 1961 to present. Elected Vice President 1970.

William F. Griffiths
Winnipeg Division

Division Manager Winnipeg (50 stores) 1959, Director and President Canada Safeway Limited. Began as food clerk, advanced through retail line to Retail Operations Manager, then Zone Manager Winnipeg 1954. Advanced Management Program U. of Western Ontario 1953. Committee Chairman, United Way.

SAFEWAY
RIGHT
from
safeway

SAFEWAY STORES, INCORPORATED

Executive Committee

Robert A. Magowan
Chairman

Ernest C. Arbuckle
Charles de Bretteville
A. Russell Griffith
Roger D. Lapham, Jr.
Quentin Reynolds
Milton L. Selby

Directors

Ernest C. Arbuckle
Chairman of the Board
Wells Fargo Bank

J. G. Boswell II
President and Director
J. G. Boswell Company

Henry B. Clay
Vice President

Charles de Bretteville
Chairman of the Board
and Chief Executive Officer
The Bank of California, N. A.

A. Russell Griffith
Retired, formerly Vice President
and Treasurer of the Company

Malcolm P. Grover
Vice President

Lorenzo N. Hoopes
Vice President

Roger D. Lapham, Jr.
President and Director of
Frank B. Hall & Co. of California
and Director of Frank B. Hall
& Co., Inc. (New York)

Merrill L. Magowan
Account Executive and Stockholder
Merrill Lynch, Pierce,
Fenner & Smith Incorporated

Robert A. Magowan
Chairman of the Executive Committee

W. S. Mitchell
President

G. H. Parker
Vice President

Quentin Reynolds
Chairman of the Board
and Chief Executive Officer

Milton L. Selby
Retired, formerly President
of the Company

Officers

Henry B. Clay*
Vice President
Regional Retail Manager

Clifford L. Gant*
Controller

Malcolm P. Grover*
Vice President
Personnel, Public Affairs,
Industrial Relations and
Economic Research

Lorenzo N. Hoopes*
Vice President
Supply Operations

Philip G. Horton*
Vice President
Real Estate, Construction and
Engineering

James M. McGinty*
Vice President and Treasurer
(Elected Treasurer 2-3-71)

W. S. Mitchell*
President

G. H. Parker*
Vice President
Regional Retail Manager

Quentin Reynolds*
Chairman of the Board
and Chief Executive Officer

Robert J. Van Gemert*
Vice President and Secretary
General Counsel

Jack L. Anderson
Vice President
Kansas City Division Manager

Paul A. Baumgart
Vice President
Corporate Economist

Louis A. Bianco
Vice President
San Francisco Division Manager

C. A. Bradburn
Vice President
Seattle Division Manager

Gerald E. Brown
Vice President
Advertising and Market
Research Division Manager

R. L. Campbell
Vice President
Denver Division Manager

Beach H. Dean, Jr.
Vice President and Asst. Treasurer
Real Estate Finance

Henry J. Frank
Vice President
Phoenix Division Manager

Floyd H. Gifford
Vice President
Salt Lake City Division Manager

Frank J. Glasgow
Vice President
Sacramento Division Manager

Paul K. Hendrix
Vice President
Omaha Division Manager

Robert L. Jaynes
Vice President
El Paso Division Manager

Horace A. Justice
Vice President
Dallas Division Manager

Robert M. Lyness
Vice President
Retail Engineering Division Manager

Fred E. MacRae
Vice President
Portland Division Manager

Peter P. Martin
Vice President
Butte Division Manager

W. C. Peet, Jr.
Vice President
Corporate Development

Calvin P. Pond
Vice President
Public Affairs (Elected 2-3-71)

Loyal M. Pringle
Vice President
Spokane Division Manager

James A. Rowland
Vice President
Little Rock Division Manager

Earl W. Smith
Vice President
Southern California Division Manager

R. Earl Templeman
Vice President
Oklahoma City Division Manager

John W. Warthan
Vice President
Tulsa Division Manager

Herman F. Weber
Vice President
Industrial Relations

Basil M. Winstead
Vice President
Washington, D. C. Division Manager

*Executive Officers of the Company

FINANCIAL HIGHLIGHTS AND TEN-YEAR SUMMARY

		1970 (53 Weeks)	1969	1968	1967
Operating Results[1]	Sales	$4,860,167	4,099,647	3,685,690	3,360,880
	Income before provision for income taxes	140,462	108,610	115,526	100,128
	Provision for income taxes	71,570	57,305	60,465	49,235
	Net income	68,892	51,305[3]	55,061	50,893
	Net income as a percent of sales	1.42%	1.25	1.49	1.51
Distribution of Earnings[1]	Dividends to preferred stockholders	$ —	—	—	—
	Dividends to common stockholders	29,315	28,036	28,036	27,975
	Earnings retained in the business	39,577	26,557[4]	27,025	22,918
Per Share of Common Stock	Net income	$ 2.70	2.14[4]	2.16	2.00
	Depreciation	1.98	1.83	1.73	1.64
	Cash flow [2]	4.68	3.97	3.89	3.64
	Dividends paid	1.15	1.10	1.10	1.10
	Working capital (at end of year)	6.25	5.52	6.06	5.40
	Book value (at end of year)	19.49	17.94	16.89	15.83
	Price range New York Stock Exchange—Low-High	22⅛-34⅜	23½-30¼	23¼-31¼	21⅜-28⅛
Financial Position (at end of year)	Working capital [1]	$ 159,396	140,756	154,559	137,668
	Current assets per dollar of current liabilities	1.53	1.51	1.73	1.70
	Equity of common stockholders [1]	497,048	457,192	430,586	403,541
Other Statistics	Number of employees (at end of year)	96,760	91,352	83,655	78,000
	Number of stockholders of record (at end of year)	69,098	73,193	72,793	73,851
	Number of stores (at end of year)	2,303	2,262	2,241	2,240
	Average annual sales per store [1]	$ 2,094	1,782	1,612	1,475
Source and Use of Funds[1]	FUNDS PROVIDED FROM:				
	Net Income	$ 68,892	54,593[4]	55,061	50,893
	Charges to income not requiring funds:				
	Depreciation and amortization	50,579	46,638	44,158	41,643
	Deferred income taxes	1,949	3,206	3,033	3,480
	Provision for decline in conversion value of Canadian assets	—	—	—	—
	Decrease in working capital	—	13,803	—	—
	Sale of capital stock	239	23	—	1,345
	Decrease in other assets	—	—	—	349
	Increase in long-term debt	19,199	—	—	—
	Total	$ 140,858	118,263	102,252	97,710
	FUNDS USED FOR:				
	Dividends to Company stockholders	$ 29,315	28,036	28,036	27,975
	Additions to fixed assets (net)	91,505	85,077	53,260	61,387
	Increase in other assets	1,101	702	461	—
	Decrease in long-term debt	—	3,556	3,368	3,147
	Decrease in minority interest	297	892	236	331
	Increase in working capital	18,640	—	16,891	4,870
	Retirement of capital stock	—	—	—	—
	Total	$ 140,858	118,263	102,252	97,710

[1] In thousands of dollars. [2] Based on average shares outstanding during year. [3] Excluding extraordinary gain in 1969 of $3,288,000, net of applicable taxes,

1966	1965	1964 (53 Weeks)	1963	1962	1961
3,345,187	2,939,043	2,817,569	2,649,712	2,509,644	2,538,032
117,793	95,150	97,875	94,746	83,326	78,587
58,045	46,965	47,895	49,930	44,055	41,985
59,748	48,185	49,980	44,816	39,271	36,602
1.79	1.64	1.77	1.69	1.56	1.44
—	173	735	838	903	1,021
26,039	25,376	23,367	20,723	20,052	19,045
33,709	22,636	25,878	23,255	18,316	16,536
2.35	1.89	1.95	1.75	1.53	1.43
1.53	1.47	1.35	1.28	1.24	1.26
3.88	3.36	3.30	3.03	2.77	2.69
1.02½	1.00	.92½	.82½	.80	.76¼
5.37	5.55	5.53	4.78	4.70	4.96
14.96	13.63	12.73	11.71	10.78	10.04
23⅝-31½	30⅛-42¼	28-37¾	22¾-32⅜	18⅛-30⅛	18⅜-31⅞
136,582	140,891	140,163	120,177	117,902	124,085
1.69	1.83	1.89	1.74	1.81	1.89
380,262	346,139	322,501	294,551	270,298	251,326
74,798	69,248	68,804	66,605	63,120	60,896
72,609	66,651	58,100	58,900	59,900	58,600
2,173	2,128	2,099	2,059	2,069	2,054
1,514	1,349	1,322	1,250	1,183	1,131
59,748	48,185	49,980	44,816	39,271	36,602
38,750	37,350	34,178	32,230	30,970	31,435
2,822	2,987	(346)	1,514	1,300	540
1,300	950	650	650	1,500	700
4,471	—	—	—	6,184	—
412	—	—	—	—	—
—	11,023	—	—	—	714
—	—	27,271	—	—	—
107,503	100,495	111,733	79,210	79,225	69,991
26,039	25,549	24,102	21,561	20,955	20,066
72,657	54,025	44,486	46,281	46,658	28,126
5,389	—	22,446	1,777	3,425	—
3,118	3,571	—	6,384	6,168	5,702
300	277	295	300	300	300
—	728	19,986	2,275	—	15,474
—	16,345	418	632	1,719	323
107,503	100,495	111,733	79,210	79,225	69,991

equal to $0.13 per share. (4) Including extraordinary gain in (3) above.

EXECUTIVE OFFICES

Fourth and Jackson Streets, Oakland, California
(P. O. Box 660, Oakland, California 94604)

TRANSFER AGENTS

The Chase Manhattan Bank (National Association), New York, New York and the Crocker-Citizens National Bank, San Francisco, California

REGISTRARS

First National City Bank, New York, New York and The Bank of California, National Association, San Francisco, California

ACCOUNTANTS

Peat, Marwick, Mitchell & Co.

ANNUAL MEETING

The 1971 Annual Meeting of the Common Stockholders will be held on May 18, 1971. In connection with this meeting, proxies will be solicited by the management. A notice of the meeting, together with a proxy statement and a form of proxy, will be mailed separately to Common Stockholders about April 12, 1971. This Annual Report does not constitute part of the proxy soliciting material.

LITHO IN U.S.A.
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SAFEWAY STORES, INCORPORATED

P.O. BOX 660, OAKLAND, CALIFORNIA 94604

SAN FRANCISCO CALIF.

BULK RATE
U.S. POSTAGE
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Permit No. 2780

[illegible] SOUTH MOP
CLEVELAND OH 44120